Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of)	
)	
Federal-State Joint Board on)	
Universal Service)	CC Docket No. 96-45
)	
Louisiana Unwired, LLC)	DA 03-389
)	
Petition for Designation as an)	
Eligible Telecommunications Carrier)	
In the State of Alabama	j	

REPLY COMMENTS OF LOUISIANA UNWIRED, LLC

Louisiana Unwired, LLC ("Louisiana Unwired"), by counsel and pursuant to the Commission's *Public Notice*, hereby submits its Reply Comments in the captioned proceeding CenturyTel of Alabama, LLC ("CenturyTel") submitted Comments.

I. INTRODUCTION

CenturyTel has failed to provide any valid reason to delay or deny Louisiana Unwired's petition for designation as an eligible telecommunications carrier ("ETC") in non-rural areas of Alabama ("Petition"). Louisiana Unwired, by amply demonstrating its ability and commitment to offer and advertise the supported services throughout its requested service area, has fully satisfied the requirements of Section 214(e)(1) of the Communications Act of 1934, as amended (the "Act"), which, if met, "shall" result in the carrier's designation pursuant to Section 214(e)(2). This straightforward process is part of the "pro-competitive, de-regulatory"

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Public Notice, Wireline Competition Bureau Seeks Comment on Louisiana Unwired, LLC Petition for Designation as an Eligible Telecommunications Carrier in Certain Non-Rural Service Areas in the State of Alabama, DA 03-389 (WCB rel. Feb. 10, 2003) ("Public Notice").

framework provided by the 1996 amendments to the Act ("1996 Act"),² and it embodies the determination by Congress and by the Commission that true competition is not possible without ending the incumbent local exchange carriers' ("ILECs") monopoly on high-cost support.³

CenturyTel now raises numerous frivolous objections in an effort to forestall precisely the kind of facilities-based competition envisioned by Congress and the Commission. Notably, CenturyTel wrongly urges the application of the "public interest" test under Section 214(e)(2), which applies to requests for ETC designation in rural areas, even though Louisiana Unwired does not seek designation in such areas. Moreover, many of CenturyTel's arguments, such as its assertions regarding "windfall" support based on proxy costs, local usage, mobility, and the size of the Universal Service Fund, involve broader policy questions that are currently under review at the federal level and are not properly raised in an individual ETC designation. Other assertions are meritless and not grounded in any provision of the Act or FCC rules. Finally, CenturyTel makes the self-serving claim that ongoing review of the Commission's ETC rules somehow provides a basis for refusal to comply with the unambiguous terms of the Act.

The Commission should reject CenturyTel's anticompetitive arguments and grant the Petition without delay.

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² Pub. L. No. 104-104, 110 Stat. 56 (1996).

See Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, First Report and Order, 11 FCC Rcd 15499, 15506-07 (1996), subseq. hist. omitted ("Local Competition Order") ("The present universal service system is incompatible with the statutory mandate to introduce efficient competition into local markets, because the current system distorts competition in those markets. For example, without universal service reform, facilities-based entrants would be forced to compete against monopoly providers that enjoy not only the technical, economic, and marketing advantages of incumbency, but also subsidies that are provided only to the incumbents.")

II. LOUISIANA UNWIRED HAS AMPLY DEMONSTRATED ITS ABILITY AND COMMITMENT TO PROVIDE THE SUPPORTED SERVICES THROUGHOUT ITS REQUESTED ETC SERVICE AREA

In its Petition, Louisiana Unwired demonstrated that it satisfies the statutory prerequisites, found within Section 214(e)(1) of the Act, for carriers seeking ETC designation for areas served by non-rural telephone companies. Specifically, Louisiana Unwired demonstrated its ability and commitment to offer and advertise the supported services throughout the area for which it requests designation.⁴ Under Section 214(e)(2) of the Act, carriers seeking designation for areas served by non-rural telephone companies "shall" be designated if they meet the requirements of Section 214(e)(1). Because the Petition demonstrates that Louisiana Unwired meets these requirements, immediate designation is warranted.⁵

CenturyTel raises a number of meritless claims which have been consistently rejected by the FCC and by all states that have considered the matters.

A. Minimum Local Usage and "Affordability"

Although CenturyTel concedes that FCC rules and precedent support a finding that Louisiana Unwired's commitment to provide some local usage is sufficient to meet the local usage requirement, CenturyTel asserts that wireless service offerings "do not advance the FCC's service goals" unless they offer unlimited local usage or pricing based on ILEC rates. Because Louisiana Unwired's showing in this regard satisfies the FCC's requirements, any objections CenturyTel may have to the rules themselves should be raised in ongoing proceedings to consider revisions to those rules. Nonetheless, to the extent CenturyTel argues for the application

See Petition at pp. 4-8.

⁵ See Federal-State Joint Board on Universal Service, Report and Order, 12 FCC Rcd 8776, 8851-52 (1997) ("First Report and Order").

See CenturyTel Comments at p. 4.

of yet-to-be-adopted rules in this proceeding, Louisiana Unwired is constrained to note that CenturyTel's position on local usage is without merit and has been consistently rejected.

An ETC is required by 47 C.F.R.§ 54.101(a) to *offer* included local minutes, but it is not required to include local minutes *on every rate plan*. The FCC and a number of states have confirmed that a carrier offering varying amounts of local usage meets the local usage requirement.⁷ Several petitions have been granted to companies that proposed no rate plans containing unlimited minute offerings.⁸ What an ETC cannot do is *force* a customer into a rate plan that has zero minutes included, effectively failing to offer some number of local minutes as required by Section 54.101(a)(2) of the FCC's rules.

CenturyTel also misstates applicable state precedent in arguing for mandating unlimited local usage and an "affordability" requirement. Citing a 1999 ETC designation order,⁹

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See, e.g., Pine Belt Cellular, Inc. and Pine Belt PCS, Inc. Petition for Designation asn Eligible Telecommunications Carrier, CC Docket 96-45, Memorandum Opinion and Order, 17 FCC Rcd. 9589, 9593 (rel. May 24, 2002) ("Pine Belt ETC Order") (holding that Pine Belt met the local usage requirement by offering "several service options including varying amounts of local usage, and . . . a rate plan that includes unlimited local usage.") (emphasis added); Western Wireless Corporation, Petition for Designation as an Eligible Telecommunications Carrier in the State of Wyoming, 16 FCC Rcd 48, 52 (2000) ("although the Commission has not set a minimum local usage requirement, Western Wireless currently offers varying amounts of local usage in its monthly service plans."); Smith Bagley, Inc., Utility Case No. 3026, Recommended Decision of the Hearing Examiner and Certification of Stipulation at p. 7 (ALJ Aug. 14, 2001) ("SBI N.M. Recommended Decision"), adopted by Final Order (N.M. Pub. Reg. Comm'n Feb. 19, 2002) (some local usage to be provided as part of a universal service offering); RCC Minnesota, Inc., Docket No. UT-023033 at pp. 14-15 (Wash. Util. & Transp. Comm'n Aug. 14, 2002) ("RCC Washington ETC Order").

See, e.g., Guam Cellular and Paging, Inc. d/b/a Guamcell Communications, CC Docket No. 96-45, DA 02-174 (C.C.B. rel. Jan. 25, 2002) ("Guamcell ETC Order"); Cellco Partnership d/b/a Bell Atlantic Mobile, DA 00-2895 (C.C.B. rel. December 26, 2000) ("Cellco ETC Order"); Smith Bagley, Inc., Docket No. T-02556A-99-0207 (Ariz. Corp. Comm'n Dec. 15, 2000) ("SBI Arizona ETC Order"); SBI New Mexico Decision, supra, Midwest Wireless Iowa, L.L.C., Docket No. 199 IAC 39.2(4) at pp. 2-3 (Iowa Util. Bd. July 12, 2002) ("Midwest Iowa ETC Order"); RFB Cellular, Inc., Case No. U-13145 (Mich. P.S.C. Nov. 20, 2001) ("RFB Michigan ETC Order"); Cellular South License, Inc., Docket No. 01-UA-0451at pp. 5-6 (Miss. P.S.C. Dec. 18, 2001) ("Cellular South Mississippi ETC Order"); WWC License LLC d/b/a Cellular One, Docket No. 00-6003 (Nev. PUC Aug. 22, 2000) ("WWC Nevada ETC Order") WWC Texas RSA L.P., PUC Docket Nos. 22289, 22295, SOAH Docket Nos. 473-00-1167, 473-00-1168 at p. 20 (Tex. P.U.C. Oct. 30, 2000) ("WWC Texas ETC Order"); RCC Washington ETC Order, supra.

⁹ See Minnesota Cellular Corporation, Order Granting Preliminary Approval and Requiring Further Filings, Docket No. P5695/M-98-1285 (Minn. PUC Oct. 27, 1999) at p. 17 ("Minnesota Cellular ETC Order").

CenturyTel claims erroneously that the Minnesota Public Utilities Commission ("MPUC") "has advocated an increase in the minimum local usage afforded universal service customers" by requiring at least one package with unlimited local minutes and a price that does not exceed 110% of current ILEC rates. ¹⁰ CenturyTel ignores the subsequent history of the case, in which the MPUC reversed the 110% restriction. ¹¹ More important, CenturyTel neglected to mention that the MPUC recently reversed its Minnesota Cellular decision and completely rejected affordability requirements. ¹² In addition, the MPUC affirmed the FCC's position that, while an ETC is required to offer local usage, it is not include unlimited local calling in all rate plans. ¹³

By essentially advocating LEC-style regulation of wireless rate plans, CenturyTel also ignores the FCC's deregulatory stance with respect to highly competitive services such as CMRS, which is based on the FCC's conclusion that:

...firms lacking market power simply cannot rationally price their services [or impose terms] in ways which [are unjust, unreasonable or discriminatory.] [A] non-dominant competitive firm . . will be incapable of violating the just and reasonable standard....If it charges unreasonably high rates or imposes unreasonable terms or conditions in conjunction with the offering, it would lose its market share as its customers sought out competitors whose prices and terms are more reasonable. [I]t is equally unlikely that a competitive firm would engage in a strategy of below-cost or predatory pricing in an attempt to drive rivals out of the market....[P]rice (or term) differentials, when offered by carriers lacking price control, are indicative of competition – not of wealth-transferring price discrimination schemes. (footnote omitted).¹⁴

CenturyTel Comments at pp. 5-6.

See Minnesota Cellular Corporation, Order Acting on Petitions for Reconsideration and Opening Investigation at pp. 5-6 (Feb. 10, 2000).

See Midwest Wireless LLC, OAH Docket No. 3-2500-14980-2, PUC Docket No. PT6153/AM-02-686, adopted Feb. 13, 2003 (order pending), adopting ALJ's Findings of Fact, Conclusions of Law, and Recommendation (ALJ Dec. 31, 2002) at ¶¶ 46-48 ("Midwest Minnesota ETC Order").

¹³ See id. at ¶¶ 17-18.

See Policy and Rules Concerning Rates for Competitive Common Carrier Services and Facilities Authorizations Therefor, First Report and Order, 85 FCC 2d 1, 31 (1980).

Contrary to CenturyTel's more-regulation-is-better argument, local usage, pricing and service quality are best determined by the discipline imposed through competitive markets. As the Washington Utilities and Transportation Commission succinctly put it: "Customers can choose for themselves if the amount of local usage is worth the price." Accordingly, CenturyTel's assertions regarding local usage and "affordability" should be rejected.

B. Mobility

Without any supporting authority, CenturyTel argues that the mobility of wireless service offerings would "allow[] subsidies to flow to carriers that might not provide service in high-cost areas" and therefore "will send incorrect market signals to potential entrants." These assertions are baseless and presume that recipients of high-cost support will break the law. High-cost support must be spent on facilities that serve the ETC service area, and Louisiana Unwired has committed to use funds lawfully to improve its network. No funds can properly be spent on facilities or services that a customer uses outside of its service area, and CenturyTel does not explain how the system could be abused.

There is no public policy reason to deny a subscriber the ability to purchase a feature that permits a mobile phone to be used for its intended purpose. For example, CenturyTel cites no reason why a customer who wishes to purchase roaming or a wider local calling area should not be able to do so. Moreover, such a restriction would violate the core principle of technological neutrality.¹⁷ Sufficient enforcement mechanisms exist to ensure that high-cost support is properly

RCC Washington ETC Order, *supra*, at pp. 14-15.

CenturyTel Comments at p. 7.

See First Report and Order, supra, 12 FCC Rcd at 8801.

applied.¹⁸ Finally, CenturyTel is unable to cite a single state or FCC decision, and Louisiana Unwired is unaware of any, imposing the kinds of restrictions on mobility it advocates here.¹⁹

C. "Lack of Financial Stability"

CenturyTel's assertion that Louisiana Unwired's ability to provide the supported services is compromised by its "lack of financial stability" is disingenuous and warrants no serious consideration. There is no requirement under the Act or the FCC's rules that a carrier demonstrate "financial stability" in order to qualify as an ETC. Moreover, CenturyTel provides no evidence to support its claim. CenturyTel's reference to the potential de-listing of US Unwired, Inc. ("US Unwired"), Louisiana Unwired's parent company, from NASDAQ is of no relevance to Louisiana Unwired's "financial stability". Eligibility for listing on NASDAQ is determined from a wide variety of factors, most of which do not directly bear upon a company's financial well-being. If a company is de-listed, it may be financially sound but simply less highly valued by investors for any number of reasons. For this reason, even where a showing of financial qualification is required, the FCC has declined to rely on market listing or rating services in determining the financial qualifications of an applicant.²¹

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See Federal-State Joint Board on Universal Service, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking, 16 FCC Rcd 11244, 11316 n.433 and accompanying text (2001) ("Fourteenth Report and Order"); Order on Reconsideration, FCC 02-171 at ¶ 14 (rel. June 13, 2002).

CenturyTel wrongly states that the New Mexico Public Regulatory Commission removed stipulated mobility restrictions from its final order "without explanation"; in fact, it expressly adopted the administrative law judge's detailed conclusions rejecting such restrictions as unnecessary. *See* SBI N.M. Recommended Decision, *supra*, at p. 19, Final Order at p. 2. Accordingly, CenturyTel's reliance on the New Mexico proceeding is misplaced.

See CenturyTel Comments at pp. 6-7.

See Paging Network of Virginia, Inc., 10 FCC Rcd 1016, 1019 (1995) ("...there is nothing in the Commission's rules that prohibits a licensee, or the parent of a licensee, from taking on debt or that requires that the parent maintain a certain S&P rating outlook.")

Finally, as CenturyTel observes, the FCC already has rules requiring a financial qualification finding for wireless license grants.²² Louisiana Unwired is an FCC licensee and has met all financial qualifications, construction deadlines, and payment obligations to continue to be a qualified license holder. Thus, the FCC's licensing framework provides adequate assurance that Louisiana Unwired is able to provide the supported services throughout its requested service area.

III. THE COMMISSION SHOULD REFUSE CENTURYTEL'S INVITATION TO IGNORE THE ACT'S UNAMBIGUOUS ETC DESIGNATION REQUIREMENTS

CenturyTel claims it is "premature" for the Commission to designate any additional competitive ETCs until the Commission has resolved those matters raised in its recent *Referral Order*.²³ In effect, CenturyTel absurdly asks the Commission to freeze the processing of pending applications, validly filed under existing rules, during the course of the Joint Board's deliberations, and possibly beyond. Such a course of action would constitute reversible error under the Administrative Procedure Act, which requires an agency to apply existing law to a pending petition and to process it in accordance with existing procedures.²⁴

Here, the Commission is confronted with a petition that is squarely within the channel of other petitions that have been filed in non-rural areas — that this Commission has routinely granted on multiple occasions. The Commission has an affirmative obligation to follow its own rules and procedures in rendering decisions.

See CenturyTel Comments at p. 7 n.19 and accompanying text.

Federal-State Joint Board on Universal Service, Order, CC Docket No. 96-45, FCC 02-307 (rel. Nov. 8, 2002) ("Referral Order").

Specifically, a reviewing court may "compel agency action unlawfully withheld or unreasonably delayed", 5 U.S.C. § 706(1), and it may "hold unlawful and set aside agency action, findings, and conclusions found to be . . . arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law . . . in excess of statutory jurisdiction, authority, or limitations, or short of statutory right . . . [or] without observance of procedure required by law"). 5 U.S.C. §§ 706(2)(A), (C), (D).

Review of the Commission's rules is nothing out of the ordinary, and it certainly does not justify the kind of regulatory paralysis CenturyTel seeks. It scarcely bears mention that telecommunications law by its very nature is constantly evolving, and that no rule is immune from review. Congress and governmental agencies such as the FCC are tasked with changing and improving the law on an ongoing basis. For example, the Commission's biennial review process involves ongoing review and modification of existing rules.²⁵ Just last year, the Commission phased out its spectrum cap.²⁶ The rules for CALEA, E-911, number portability and pooling are all in a state of flux. Louisiana Unwired, upon receiving ETC status in accordance with the Act's provisions, will be required to adjust to whatever rule changes are eventually adopted — as will all other ETCs.

CenturyTel's assertion that all competitive ETC applications should be suspended pending the review of the Commission's rules may properly be described as anti-competitive. Predictably, even though the ongoing review will likely affect both incumbent LECs and competitive ETCs, CenturyTel suggests that only the competitors should be blocked from receiving high-cost support. Of course, during prior proceedings in which critical universal service rules were under review, implicit and explicit subsidies to incumbent LECs continued unabated, despite the "national implications"²⁷ of the ongoing review. Louisiana Unwired asks the Commission to see CenturyTel's request for what it is: a request to ignore the rule of law so as to prevent viable competition from entering its service area. In response to similar arguments

²⁵ See 47 U.S.C. § 161.

See 2000 Biennial Regulatory Review, Spectrum Aggregation Limits For Commercial Mobile Radio Services, Report and Order, WT Docket No. 01-14, Report and Order, FCC 01-328 (rel. Dec. 18, 2001).

²⁷ CenturyTel Comments at p. 2.

by ILECs in 2000, the Fifth Circuit stated: "what they wish is protection from competition, the very antithesis of the Act." 28

IV. THE COMMISSION SHOULD REJECT THE COLLATERAL ISSUES RAISED BY CENTURYTEL

CenturyTel inappropriately raises additional issues — including "windfall" support, ²⁹ the "public interest" test for *rural* ETC applicants, ³⁰ and the size of the fund ³¹ — which are not properly considered in this proceeding. Louisiana Unwired addresses them briefly below.

A. "Windfall" Support

First, CenturyTel falsely claims that receiving support based upon ILECs' costs gives "a significant advantage" to competitive ETCs, "particularly wireless ETCs". Nothing could be further from the truth. What CenturyTel fails to mention is that, unlike incumbent LECs, a competitive ETC is not guaranteed sufficient support to cover its costs, instead receiving what the incumbent LEC receives on a per-line basis. Because competitors like Louisiana Unwired tend to have far fewer lines over which to spread the recovery of the costs of their network, their per-subscriber embedded costs in any given area are often significantly higher than those of incumbent LECs. As a result, if a wireless competitor received support based on its own costs, its per-line support would in fact be far *higher* than that of the incumbent. Until a competitive ETC builds a substantial customer base, it is highly unlikely that the support the competitor receives will be sufficient, much less a windfall.

²⁸ Alenco Communications, Inc. v. FCC, 201 F.3d 608, 622 (5th Cir. 2000).

See CenturyTel Comments at p. 3.

³⁰ See id. at pp. 7-8.

See id. at p. 9.

³² See id. at p. 3.

B. "Public Interest"

CenturyTel also engages in a lengthy diatribe regarding the "public interest" analysis for designating competitive ETCs in areas served by rural LECs³⁴ — even though Louisiana Unwired has not requested designation in such areas. CenturyTel's choice of forum for these arguments is truly mystifying.

Under Section 214(e)(2) of the Act, a competitive carrier meeting the requirements of Section 214(e)(1) "shall" be designated for areas served by non-rural companies. Only if the carrier requests designation in areas served by rural companies is it necessary to find such designation "is in the public interest." CenturyTel does not claim rural telephone company status, and, on Louisiana Unwired's information and belief, does not have such status. Accordingly, CenturyTel's arguments regarding rural ETC status — which, in any event, Louisiana Unwired believes are completely without merit — do not warrant consideration in this proceeding.

C. Fund Size

Finally, Louisiana Unwired is constrained to briefly address CenturyTel's discussion of "ballooning" fund growth. CenturyTel, as well as a number of ILEC commenters before this Commission, have completely distorted this debate. CenturyTel's stated concern that designation of additional wireless ETCs will "continue to balloon as wireless providers nationwide seek competitive ETC status" ignores the manner in which support to competitive and incumbent ETCs impacts the fund respectively. As the Commission emphasized in its *Referral Order*, support to competitive ETCs amounts to less than 2% of total high-cost support. ³⁶ From the

³³ See 47 C.F.R. § 54.307(a)(1).

See CenturyTel Comments at pp. 7-9.

³⁵ *Id.* at p. 9.

See Referral Order, supra, at ¶ 4.

standpoint of a monopolist, the increase from 0.4% is steep — indeed, the figure was zero until only recently.

Conveniently, CenturyTel fails to mention that it is the ILECs who have been the greatest beneficiaries of the Commission's recent changes to its universal service rules relating to rural areas. Time and again, ILECs have successfully convinced the Commission and Congress to ensure the maximum level of high-cost support to ILECs while seeking to prevent competitors from accessing high-cost support, despite the fact that those competitors pay into the fund. While professing concern about growth in the fund, it is ILECs who sued in federal court to remove the cap on the high-cost fund and the cap on the amount of corporate operations expenses that may be reported.³⁷ When the Commission increased rural ILEC support by over \$1.26 billion in the *Fourteenth Report and Order*,³⁸ ILECs showed remarkably little concern for the sustainability of the fund.

Finally, Louisiana Unwired notes that the Commission is addressing the increasing demands on the fund in other proceedings of broader applicability, including taking steps to reform the universal service contribution methodology.³⁹ CenturyTel's proposal to cut off support to competitors is precisely the wrong course of action, and runs directly counter to the pro-competitive purposes of the 1996 Act. While ensuring the future viability of the fund is an important concern, it is no less important that the Commission carry out its statutory

³⁷ See Alenco, 201 F.3d at 620-21.

See Federal-State Joint Board on Universal Service, Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, Fourteenth Report and Order, Twenty-second Order on Reconsideration, and Further Notice of Proposed Rulemaking, 16 FCC Rcd 11244, 11258 (2001) ("Fourteenth Report and Order").

³⁹ See Report and Order and Second Further Notice of Proposed Rulemaking in CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, and 98-170 and NSD File No. L-00-72 (rel. Dec. 13, 2002).

responsibility of administering a competitively neutral universal service program that provides

rural consumers with comparable choices in telecommunications service to those available in

urban areas and places competitors on a level playing field with incumbents. Indeed, as

Commissioner Martin recently noted: "I fail to see how the potential for greater funding levels

should prevent us from adopting a support system that meets our statutory obligation." Funding

levels will be addressed in ongoing review processes, and there is no need for the drastic action

CenturyTel advocates.

Accordingly, the CenturyTel's purported concerns about the size of the fund should be

dismissed.

IV. CONCLUSION

For the reasons stated above, Louisiana Unwired urges the Commission to grant

its Petition expeditiously.

Respectfully submitted,

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Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Recommended Decision, FCC 02J-

2 (Jt. Bd. rel. Oct. 16, 2002), Statement of Commissioner Kevin J. Martin Approving in Part, Dissenting in Part.

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